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# Bulletin Tax

## **Tax Bulletin 11-08**

**Effective Date: Jan. 1, 2009**

### **Re: Imposition of Special Fuel Tax on Compressed Natural Gas (CNG)**

Starting Jan. 1, 2009, Utah will impose a fuel tax on the purchase of compressed natural gas (CNG) for vehicles. The supplier reports and pays the tax. The owner or lessor of natural gas compression equipment is considered to be the CNG supplier.

#### **Tax Rate**

- 8.5 cents per Gasoline Gallon Equivalent (GGE = 120 Cu. Ft.) dispensed into vehicles for highway use.

#### **Licensing and Reporting Requirements**

- The CNG supplier must file a *Fuel License Application* (form TC-107).
- A buyer of natural gas for compression may provide a sales and use tax exemption certificate (form TC-721CNG) to the natural gas supplier.

The CNG exemption certificate exempts all natural gas purchases from sales tax, CNG tax and municipal energy sales and use tax at the time of purchase. However, the buyer must have a municipal energy and a sales and use tax account and report to the Tax Commission:

1. CNG tax (form TC-366, *Compressed Natural Gas (CNG) Tax Return*),
2. use tax for residential and commercial uses of natural gas (form TC-62M or TC-62S, *Sales and Use Tax Return*), and
3. municipal energy sales and use tax (form TC-62E, *Municipal Energy Sales and Use Tax Return*).

#### **No special fuel tax is imposed on CNG that is:**

- sold to federal, Utah state and local government entities,
- used in a vehicle off-highway,
- used to operate a power take-off unit,
- used for off-highway agricultural purposes,
- used in a separately fueled engine on a vehicle that does not propel the vehicle upon state highways, or
- used in machinery and equipment not registered and not required to be registered for highway use.

**Note:** The supplier must collect tax on these sales. The purchaser may request a refund from the Tax Commission.

(Continued on back page)



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(Continued from page 1)

### **CNG Purchased by Governments**

- Federal, Utah state and local government entities may file for a refund of Utah fuel taxes paid on CNG for government use.
- This refund applies only to CNG purchased for the government's official and exclusive use in government vehicles and equipment. Sale or delivery to individuals or to businesses operating under government contract, for personal use, for retail sale, or any other distribution to third parties does not qualify for this refund.
- File refund claims on form TC-114S, *Application for Government Special Fuel Tax Refund*.
- If you need help or more information, call the Tax Commission at 801-297-2200 or 1-800-662-4335 outside the Salt Lake area.

### **Record Keeping Requirements**

You must keep original records supporting all sales, purchases, deliveries, meter readings, etc. for three years. The records must include copies of all invoices and bills of sale.

### **QUESTIONS...**



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